



VAASAN AMMATTIKORKEAKOULU
UNIVERSITY OF APPLIED SCIENCES

Josefin Strandberg

Internationalization of Finnish Family Businesses; Identifying Challenges

Business Economics
2016

TIIVISTELMÄ

Tekijä	Josefin Strandberg
Opinnäytetyön nimi	Suomalaisten perheyritysten kansainvälistyminen – Haasteiden kartoitus
Vuosi	2016
Kieli	Englanti
Sivumäärä	46+2 liitettä
Ohjaaja	Satu Lautamäki

Kansainvälistymisestä on tullut tärkeä aihe, jota yritysten tulisi miettiä. Jotta yritykset pystyisivät onnistuneesti aloittamaan toimintansa kansainvälisillä markkinoilla, niillä pitää olla tietoa itse prosessista ja mahdollisista haitoista. Tutkimukseni tarkoitus on kartoittaa haasteet joita suomalaiset perheyritykset kohtaavat, kun he hakeutuvat kansainvälisille markkinoille.

Perheyritysten merkitys sekä Suomessa että ulkomailla, syyt miksi yritykset kansainvälistyvät, markkinoille tulon strategiat ja haasteet ovat osa aiheista joita tekijä käsittelee teoreettisessa taustaosiossa. Haasteet on jaettu eri osiin: maailmanlaajuisia oikeudellisia kysymyksiä, taloudellisia ja kulttuurisia haasteita, ja perheyrityksille ominaisia haasteita.

Empiirisessä tutkimusosiossa kerrotaan tehdystä tutkimuksesta. Käytetty menetelmä tutkimuksessa oli laadullinen. Neljä suomalaista perheyritystä osallistui haastattelututkimukseen.

Empiiriset havainnot osoittavat, että yritykset ovat kohdanneet haasteita kielen, yrityskulttuurin, hinnoittelun, eri toiveiden, kilpailun, kopioinnin, aikaeron, sekä saksalaisten yritysten kanssa. Realiteetista tai validiteetista keskustellaan myös tässä osiossa.

Opinnäytetyön viimeisessä osiossa yrityksille annetaan ehdotuksia siitä, mitä tulisi ottaa huomioon, kun ne hakeutuvat kansainvälisille markkinoille, ja myös ehdotuksia tulevaisuuden tutkimusta varten.

ABSTRACT

Author	Josefin Strandberg
Title	Internationalization of Finnish family businesses: Identifying Challenges
Year	2016
Language	English
Pages	46+2 Appendices
Name of Supervisor	Satu Lautamäki

Internationalization has become an important matter which companies need to consider. In order to successfully start a company's activities abroad, one has to have the right knowledge of the process and possible drawbacks. The aim of this study is to identify challenges that Finnish family businesses face when going international.

The theory part of the paper presents the meaning of family businesses both in Finland and abroad, reasons for internationalization, entry strategies as well as the challenges. The challenges are divided into global legal, economic, cultural challenges and challenges specific for family businesses.

The empirical research section focuses on the study conducted. The method used for the study was qualitative. Four Finnish family businesses had the opportunity to participate in this study by being interviewed.

Empirical findings show that companies have faced challenges with language, business culture, pricing, different desires, competition, copying, time difference and German companies. The reliability and validity will be also be discussed in this section.

In the final section of this thesis, there will be given suggestions for companies on what they should take into consideration when internationalizing, and suggestions for future research.

Keywords	Internationalization, family business, globalization, challenges
----------	--

TABLE OF CONTENTS

TIIVISTELMÄ	I
ABSTRACT.....	II
1 INTRODUCTIONAIM	5
1.1 Aim of the Thesis.....	5
1.2 Structure of the Thesis	6
2 INTERNATIONALIZATION OF A FAMILY BUSINESS	7
2.1 Definition of Family Business	7
2.1.1 Family businesses in Finland	8
2.1.2 Family businesses – Important on an International Level	11
2.2 Internationalization	13
2.2.1 Definition	13
2.2.2 Reasons, Motives and Triggers	13
2.2.3 Barriers to Internationalization	15
2.3 Entry Strategies.....	16
2.4 Mode of Entry.....	18
2.4.1 Export-based Methods	18
2.4.2 Non-Equity-based Methods	18
2.4.3 Equity-based Methods.....	19
2.4.4 Factors Affecting the Choice of Entry Mode.....	19
2.5 Challenges with Internationalization	22
2.5.1 Global Legal Challenges	22
2.5.2 Economic Challenges.....	24
2.5.3 Cultural Challenges.....	25
2.5.4 Challenges for family businesses	26
3 EMPIRICAL RESEARCH.....	28
3.1 Qualitative Research Method.....	28
3.2 Case Companies.....	30
3.3 Findings.....	31
3.3.1 Internationalization	32
3.3.2 Entry Mode	32

3.3.3	Importance of Planning	33
3.3.4	Cultural Challenges	33
3.3.5	Pricing	35
3.3.6	Legal Challenges	35
3.3.7	Future goals	36
3.4	Summary of Findings	36
3.5	Reliability and Validity of the Research	38
4	DISCUSSION AND CONCLUSION	40
4.1	Suggestions for Companies	40
4.2	Suggestions for Future Research	41
	REFERENCES	43
	APPENDICES	47

LIST OF FIGURES AND TABLES

Figure 1.	Three-circle Model of the family business system	p.8
Figure 2.	The Elements of an International Market Entry Strategy	p.17
Figure 3.	Factors affecting the choice of Entry Mode	p.20
Figure 4.	Examples of qualitative and quantitative research methods	p.28
Table 1.	Number of family businesses in Finland by size	p.10
Table 2.	Family businesses internationally	p.12
Table 3.	Top ten barriers to SME access to international markets as reported by member economies	p.15
Table 4.	Challenges faced by case companies	p.34

LIST OF APPENDICES

APPENDIX 1. Questions prepared for the interviews

p.36

1 INTRODUCTIONAIM

Globalization is a process that brings challenges to the everyday running of a business, though, at the same time it offers new opportunities for them. The global competition and the globalization of the economy as facts that companies should consider. (Vahvaselkä 2009)

Internationalization and export play an important role in the Finnish national economy. These phenomena are tough to keep up with, but at the same time it brings several opportunities for companies. The development of the domestic market is getting more and more important all the time, and at the same time the internationalization process should start earlier and earlier. Companies should gain the right knowledge to be able to handle all the changes in today's business world. (Vahvaselkä 2009)

One of the main reasons why companies are interested in the foreign markets are that the development in the domestic markets is too small and at the same time the opportunity to grow bigger abroad is much more substantial. Today, it is common that companies are willing to go international and it is seen as a natural option for them. (Vahvaselkä 2009)

According to a study done by Perheyritystyöryhmä (2005), 80-86% of all enterprises in Finland are family businesses. Sooner or later these companies, just as any other companies, will run into some problems when seeking for the foreign market. The results of this research could be used as guidelines for companies to follow when taking the big step to internationalize.

1.1 Aim of the Thesis

The aim of this thesis is to find out the main challenges companies face when doing business abroad. In addition, the reader will get familiar with topics related to family business and internationalization. The focus of the research will be on the challenges that companies face. No specific market has been chosen for the study, instead companies from different markets have participated, so that the results of

the research could be used in various markets. Case companies chosen for this thesis are Finnish family businesses of different sizes.

The aim is to be able to answer the two research questions set for this study:

- What are the main challenges that Finnish family businesses face when doing business on an international market?
- What can companies learn from this study?

1.2 Structure of the Thesis

This thesis consists of two main parts; a theoretical framework and an empirical study.

The second chapter, Internationalization of a family business, presents the theoretical background of the study. The chapter defines and describes the concepts of family business and internationalization. In addition, market entry strategies and challenges with internationalization will be described.

The third chapter, The Empirical Research, will describe the study conducted in this thesis. The study was carried out by using a qualitative research method, which is defined in the paper. The study process will be explained and the findings will be presented, ending with a summary of the results.

The fourth and fifth chapter in this thesis is the conclusion part. The conclusion part deals with the suggestions for companies and suggestions for future research.

2 INTERNATIONALIZATION OF A FAMILY BUSINESS

What is a family business and what does internationalization mean? This and other relevant issues, such as entry strategies and challenges, regarding internationalization will be explained next in the thesis.

2.1 Definition of Family Business

A family business is a company that is owned by one or more family members, and in some cases it is owned by several families together. In fact, the definition is much more imperceptible than one could think. A family business can be in many forms, just as a non-family business can; sole proprietorships, partnership, regular corporations, limited liability companies and holding companies are examples of possible business forms. It can be tricky to find a valid number of family businesses existing, since there are so many business forms that can be used. With that said, 80%-90% of all the world's enterprises are considered to be family businesses. (Hisrich 2010)

Family businesses are companies where one family owns at least 51 percent of the company's shares. The family manages most of the leader positions and the owner is responsible for running the business. (PwC 2012)

According to Hisrich (2010), the major differences between a management-controlled and family business are the objective, principles and strategy-influencing interactions of owners. Also, he mentions that a family business is formed by blending a family, management, and ownership systems together.

Hisrich (2010) also states that; "A family business is a combination of ownership control by two or more members of a family or a partnership of families, strategic influence by family members on the management of the firm, concern for family relationships, and the dream of family-business continuity across generations."

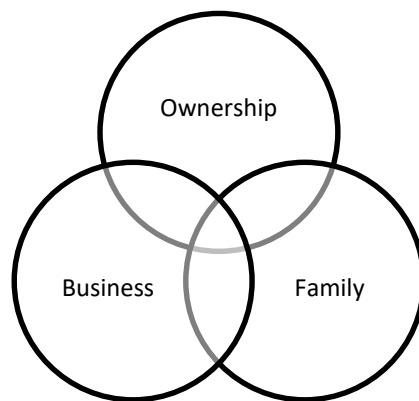


Figure 1. Three-circle model of the family business system (Perheyritystyöryhmä 2005).

The system illustrated in Figure 1 gives a clear view on how a family business works. One person can have one role or several. For instance, a person can be the owner of the enterprise, or he/she can be involved in all three circles by being e.g. the owner, a family member and an operative manager. However, this circle does have some shortcomings. There are constant changes in a family, in the business and in the ownership, which are not taken into consideration in this system. (Perheyritystyöryhmä 2005)

There are a few common definitions at EU level for a family business. Two definitions focus on the decision-making rights in a business, and according to them, a family business' decision-making power should lay on the person(s) who established the enterprise, or the person(s) who has/have attained the share capital of the enterprise, or on the spouses, children or parents. Also, the rights of decision-making are either direct or indirect. Another definition is that the governance of the enterprise should involve at least one family representative. (European Commission, n.d.)

2.1.1 Family businesses in Finland

Family businesses can be called the backbone of the economy. According to different evaluations, 80-86 per cent of Finland's companies are family companies. In

total, family businesses employ over 50 per cent of the private sector and 75 per cent of all SMEs (Small to Medium-sized Enterprises) are family businesses. 40 per cent of the total turnover of all companies is generated by family businesses, and all enterprises' GDP (Gross Domestic Product) cover almost half of Finland's total GDP. (Perheyritystyöryhmä 2005; Tourunen 2009)

The Finnish economy and industry has faced the most significant change in past ten years. After the recession, the restructuring, internationalization of companies, as well as joining the EU and the monetary union have linked Finland more closely to the European and Global economy. (Hyrsky 2003)

In Finland, every fifth company in the top 500-list is a family business, even though the majority of family businesses are SMEs. In the year 2005, over 30 family businesses were listed on the Helsinki stock market, today, the number is probably even higher. Family businesses are strongly competitive, following the market development, renewable as well as creating added value to the economy. (Perheyritystyöryhmä 2005)

Family businesses are important for both regional and local economy, since they bring stability and solidity to the regions. Usually family businesses stay at the same location, because they have a special relationship with the local community, both on a personal and business level. (Perheyritystyöryhmä 2005; Aho & Koski 1995)

Table 1 illustrates the number of family owned companies in Finland by size. The majority (92%) of these enterprises are micro-companies, which means that they employ less than 10 persons. Medium- and large-sized companies, which employ over 50 persons, account for only 1 per cent of the total number. However, their activity is significantly broader than others. (Perheyritystyöryhmä 2005)

Table 1. Number of family businesses in Finland by size. (Perheyritystyöryhmä 2005)

Size	No. of companies	Employees	Turnover (mil. €)
0-4	137 163	163 072	3 409
5-9	12 429	79 557	2 142
10-49	9 894	190 945	5 346
Over 50	1 620	159 001	5 230
TOTAL	161 106	592 575	16 127

Family businesses are also the ‘engine’ for the national economy, since they employ and invest, and in that way give the economy the power to work. Moreover, family businesses contribute to the nation’s well-being by paying their employees income tax, social security fee, unemployment insurance, value-added tax, real estate tax and so on. (Perheyritystyöryhmä 2005; Aho & Koski 1995)

Generational change will be a relevant issue in the near future in Finland. It has been estimated that approximately 70,000-80,000 entrepreneurs will leave their company, due to age, within the next 10 years. This issue will affect more than 500, 000 employees around the whole country. According to a research done by Quo Vadis, 42 per cent of all enterprises will be transferred by generational change within the family, 26 per cent of enterprises will be sold, and 7 per cent will end the business. (Perheyritystyöryhmä 2005; Aho & Koski 1995)

A successful generational change is very important for the national economy. ETLA (Elinkeinoelämän tutkimuslaitos) made a survey in 2005 which showed that if half of the generational changes failed, the position of the public finance will weaken, lost income taxes will increase, unemployment- and pension cost will rise, and indirect taxes will be lost. (Perheyritystyöryhmä 2005; Aho & Koski 1995)

Family businesses in Finland are doing very well. They have ambitious targets and they strongly believe in achieving these. During year 2011, 65 percent of Finnish

family businesses have increased their sales and the international activities are expected to generate growth even more during the near future. Nearly 81 percent are expecting growth within the next five years. (PwC 2012)

2.1.2 Family businesses – Important on an International Level

Family businesses also have an important role in an international context. In Europe, 60-93% of companies are family businesses of different sizes. All of them play an important role in the EU economy, no matter if the company is small or large, un-listed or listed. The European Commission is working hard to create a friendly environment for family businesses to grow their operations. (European Commission, n.d.)

In the United States of America, family businesses comply approximately 95 per cent of the total amount of companies, while in Mid- and South-America the percentage is 65 per cent. So far there have been only a few studies about the amount of family businesses in Asia, and there is no official number is published. One of the world's oldest family businesses is still running in Japan, a company called Hoshi that was established in the 6th century. (Perheyritystyöryhmä 2005; European Family businesses n.d.)

Family businesses' share of the total GDP in the United States and Finland is significantly lower than in other countries; when taking into account that in both of these countries the number of family businesses is quite high in relation to the total amount of enterprises. 35 per cent of the 500 biggest companies in the United States are family businesses, and as mentioned, every fifth company in the top 500-list is a family owned enterprise in Finland. Companies such as Kone Oyj, Lemminkäinen Oyj, and Oy Karl Fazer AB are examples from the list. (Perheyritystyöryhmä 2005)

Table 2. Family businesses internationally (Perheyritystyöryhmä 2005).

Country	% of the companies	% of the total GDP	% of employed
USA	95	40	60
Italy	93		79
Finland	80	40-45	40-60
Greece	80		
Cyprus	80		
Sweden	79		
Spain	75	65	
The Netherlands	74	54	43
Portugal	70	60	
Belgium	70	55	
England	70		>50
Germany	60	55	58
France	>60	>60	45
Australia	75	50	50

As mentioned, 60-93 per cent of European companies are family businesses. Table 2 above gives a closer view of the percentages of how big share of the total GDP and employment they form.

The family businesses GDP of the total GDP is relatively high in every country that is listed in the table. The family businesses have a strong role in the European countries which contributes to the high percentage. (European Family businesses n.d)

The percentage of employed varies a lot from country to country, but on average 40-50 percent of all jobs in Europe are provided by family businesses. (Perheyritystyöryhmä 2005; European family business n.d.)

2.2 Internationalization

Internationalization has been an interesting topic among companies already since the mid-20th century, and it is increasing all the time due to globalization and a rapid product life cycle. Hisrich (2010) states that internationalization is an exciting thing, since it combines domestic entrepreneurship with aspects such as geography, history and language.

2.2.1 Definition

The actual term ‘Internationalization’ has not been clearly defined in the past decades, which also makes it demanding to discuss the theory behind it. The term is mostly used when discussing an individual firm’s or a corporation’s international operations. According to Buckley and Ghauri (1993), internationalization is “the process of increasing involvement in international operations.” (Lam & White 1999)

The word internationalization means cooperation and exchange with different nations. Knowledge, experience and ideas can be exchanged by working together and creating new contacts. (Opetushallitus 2016)

The pattern of internationalization has changed a lot during the past years, but one important issue that remains the same, are the central questions: Why internationalization? What is it that triggers companies to look for the international market? (Buckley & Ghauri 1993)

2.2.2 Reasons, Motives and Triggers

There are several reasons why a company plans to enter the international market, and they have caused a lot of debate. Some companies may enter the foreign market because it is growing faster than the domestic one, the company’s domestic cus-

tomers are moving to the international market or the domestic competitors are internationalizing. Additionally, companies may look for bigger sales abroad to be able to decrease the manufacturing overhead costs per unit, which would lead to a stronger competitiveness both in the domestic and international markets. (Root 1987) (Gardó, Garcia & Descals 2015)

There are mostly reactive reasons that motivate companies to internationalize. As mentioned, the possibility to increase sales is one of them. The company also wants to get closer to its customers or diversify its operations. To gain knowledge and to take advantage of the growth of other markets and developments are proactive reasons for internationalization. (IESE Business School 2015)

At the point when companies no longer believe themselves to be able to reach their strategic goals by staying in their home country, they have become devoted to international markets. Today, several companies have reached the point where they have become committed, and in the future there will be several more due to the growing global economy. According to Root (1987) all businesses, no matter if they are large or small, domestic or international, have to work towards growth and profit since no market is going to be safe forever from international competitors. In addition, at some point even the domestic companies will realize that there are only world markets, and the domestic markets do not even exist. Even more, the domestic companies cannot rely on all the tariffs and import barriers protecting the domestic market from foreign companies, since it is so easy to set up a business and start producing in the domestic country. (Gardó, Garcia & Descals 2015)

Roots (1987) wants to point out that all companies do not have to go international, instead he thinks all companies should focus on their growth and plan on how to protect against the global competitors. Additionally, a company should not put its future on the edge by trusting the idea that it controls the domestic market.

To develop a company in the future, one must become competitive in global terms, no matter if they stay at the domestic market or go international. Internationalization requires resources and risks that might be unknown for the company, but are essential in the foreign markets. Entry strategies are a vital thing that must be carefully

designed to make the company competitive in the global market, both today and in the future. (Root 1987)

2.2.3 Barriers to Internationalization

The internationalization process presents several barriers and especially the barriers that small to medium-sized companies (SMEs) face have got a lot of attention lately. The barriers presented in Table 3 are a result of a survey done by OECD (Organization for Economic Co-operation and Development).

Table 3. Top ten barriers to SME access to international markets as reported by member economies (Wall, Minocha & Rees 2015).

Rank	Classification of barrier	Description of barrier
1	Capabilities	Inadequate quantity of and/or untrained personnel for internationalization
2	Finance	
3	Access	Shortage of working capital to finance exports
4	Access	Limited information to locate/analyze markets
5	Capabilities	Identifying foreign business opportunities
6	Capabilities	Lack of managerial time to deal with internationalization
7	Capabilities	
8	Business Environ-	Inability to contact potential overseas customers
9	ment	Developing new products for foreign markets
10	Capabilities	Unfamiliar foreign business practices
	Access	Meeting export product quality/standards/specification Unfamiliar export procedures/paperwork

The results show that internal problems are the most difficult barrier that SMEs face when they are seeking an international market. The internal barrier includes issues

such as lack of knowledge and limited amount of resources, both human and financial. External barriers, such as rules and regulations set by the government, are not seen as serious problems as the internal ones. (Wall, Minocha & Rees 2015)

A study done by Fillis (2002) shows that the main reason for companies not exporting abroad is their lack of foreign orders or problems with different regulations. Enterprises that already have international activities are struggling with the prices and promoting their products.

2.3 Entry Strategies

When a company is seeking an international market, it is important to carefully consider the right mode of entry and to make a comprehensive plan. To be able to guide a company towards the international market and a stable growth, the plan should include objectives, goals, resources and policies. Reaching persistent market performance can be a time-consuming process, for most companies the time needed for the entry strategy is three to five years. Though, the time horizon can be shorter or longer. One important aspect that managers need to remember is that one entry strategy cannot be used for several products in several markets, since the consumer behavior, economy and business lifestyle is/can be totally different in another country. (Root 1987)

The choice of a target/market, the objectives and goals, the entry mode, the marketing plan, and the control systems should be included in the entry strategy plan. Figure 2 illustrates the elements of an international market entry strategy, and how the process is progressing and reaching the specific target market. (Root 1987)

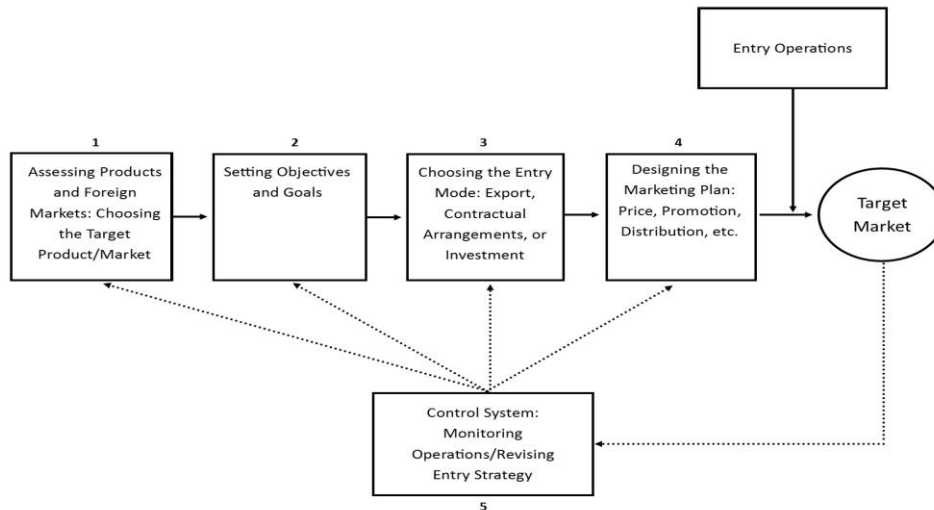


Figure 2. The elements of an international market entry strategy (Root 1987).

The process starts by choosing the target product/market that will be internationalized. Secondly, the objectives and goals has to be set. Where does the company see these products in e.g. 5 years? How successful are they?

Thirdly, the entry mode should be chosen. The most common today is exporting, which means that the company will continue their sales in the domestic market. Lastly, a marketing plan should be developed. Price, promotion and distribution are some issues in the marketing plan that should be considered.

These four steps will lead to the right target market. Once the product has been sold for a while in the new market, it is necessary to revise the strategy and make needed changes to make the market more efficient.

2.4 Mode of Entry

There is a wide variety of ways a firm can go international, usually they are divided into three main categories: Export-based methods, Non-equity methods, and equity methods. (Wall, Minocha & Rees 2015)

2.4.1 Export-based Methods

Export-based methods are the most common methods for going international. In short, it means that the company keeps up with the production in their home country, but they start exporting a certain amount of their products to the foreign market. Exporting do not affect the companies' actives much, and it is a low-risk method to go international. The first method is Indirect Exporting, which happens when a company operates through intermediaries instead of undertaking international activity. The second method is Direct Exporting, which happens when the products are distributed or sold to the foreign market by the company itself. (Wall, Minocha & Rees 2015; Cherunilam 2010 & Albaum 2005)

The main strengths with exporting is the promptness of the method and the risk-level is low. The challenges with this method is the trade barriers and tariffs, and transportation costs. (Foley 1999)

2.4.2 Non-Equity-based Methods

Non-equity-based methods are used when companies are selling technology or know-how by using contracts that usually involve patents, copyrights and trademarks. Examples of non-equity-based methods are licensing, franchising, and other contractual modes such as management contracting. (Wall, Minocha & Rees 2015)

The risk is also low with non-equity-based methods, it is a fast way to enter a market and the rate of return is high. The disadvantages with these methods are the lack of control and it might happen that the licensee becomes your own competitor. (Foley 1999)

2.4.3 Equity-based Methods

Equity-based methods use FDI (Foreign Direct Investment) with an aim to internationally compete in the modern economy. Examples of this type of methods are Joint Venture, Alliances and Acquisitions. (Wall, Minocha & Rees 2015)

FDI means that the company owns facilities in the foreign country. This means that the company is transferring resources to the target market. These resources are e.g. capital and personnel. The strengths with this method is the knowledge of the local market and it might be easier to apply different skills. (Foley 1999)

2.4.4 Factors Affecting the Choice of Entry Mode

The choice of the right market entry mode can be difficult to make, and is usually a result of numerous forces. These forces are divided into external and internal factors, and these are illustrated in figure 3. (Root 1987; Hollensen 2007)

External factors to the company are the market, production and environmental factors, both in the target country and home country. Management decisions rarely affect these factors. In general, no external factors will affect the choice of entry mode, though it can have a positive or negative effect on the choice. (Root 1987; Albaum 2005)

As seen in Figure 3, the external factors can be divided into four categories; Target Country Market factors, Target Country Environmental factors, Target Country Production factors, and Target Country factors. (Root 1987)

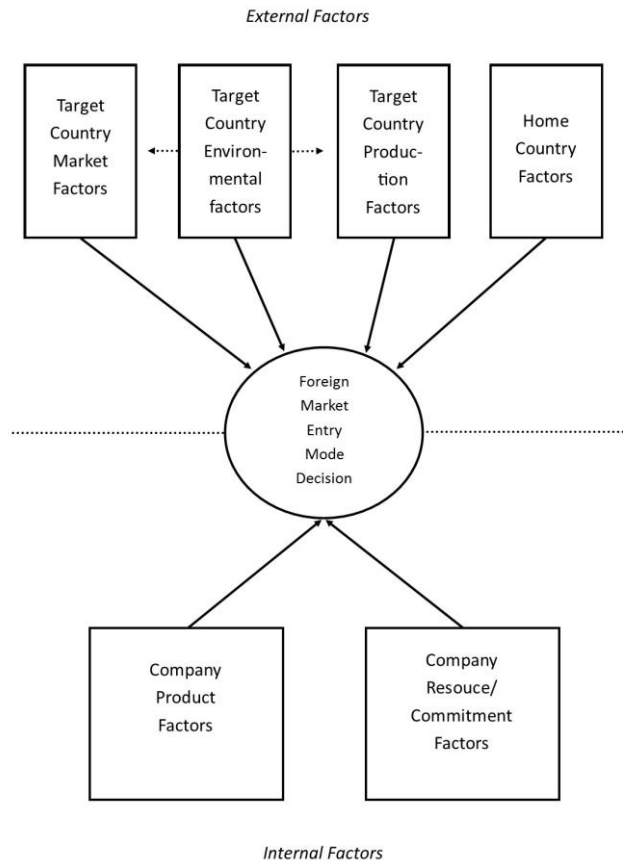


Figure 3. Factors affecting the choice of Entry Mode (Root 1987).

The first category, Target Country Market Factors, represents dimensions such as the size of the target country market, the competitive structure of the target market (ranging from several non-dominant competitors to a single firm), and the local marketing infrastructure (marketing possibilities). (Root 1987)

The second category, Target Country Environmental Factors, represents the target country's economic, political and socio-cultural characters that can have a positive effect on the choice of entry mode. In addition, factors such as geographical distance (great distance → higher transportation costs), economy of the target country

and the size of it (e.g. non-equity exporting is better suited for socialist countries), and the dynamics of the economy can affect the choice of entry mode. (Root 1987)

The third category, Target Country Production Factors, represents factors such as quality, quantity, labor, energy in the target country that can influence the choice of entry mode. (Root 1987)

The fourth category, Home Country Factors, are factors such as the home country's market, environment and production that also influence the choice of entry mode. When taking these factors into account, the company can better enter a target country. (Root 1987)

Internal factors play an important role in the choice of entry mode, since the reaction from the external factors are based on the internal ones. The internal factors are also demonstrated in Figure 3, and the two categories are Company Product Factors and Company Resource/Commitment Factors. (Root 1987)

Product factors also influence the choice of entry mode. Products that are highly differentiated (several pricing options) usually use export entry, while products that are weakly differentiated (price plays an important role, must compete in the target market) are locally produced. (Root 1987)

The choice of mode of entry will also be affected in case a product requires pre-and/or post-purchase services. Products requiring this type of service usually lean towards entry modes such as exporting and local production. (Root 1987 & Hollensen 2007)

In case the product is a service, e.g. engineering, computer services or banking, the enterprise is required to find a solution to how to execute this service in the target market due to the simple reason that services cannot be produced and exported. This can be solved by setting up subsidiaries and branches, or by selling the service directly to the foreign customer under contract. (Hollensen 2007)

The resource/commitment factors concern the company's resources, technology, marketing skills and so on. This means that the more resources a company has, the

broader variety of entry modes can be used since the company is ready for a bigger resource commitment. This means that the size of the company (external factor) usually is a critical factor when choosing the mode of entry. (Root 1987)

Though, resources cannot be pointed out as the decision making factor, since resources have to be combined with the will to commit. A manager who is highly committed can choose any entry mode, and usually choose an entry mode that is equity-based. (Root 1987)

2.5 Challenges with Internationalization

Companies are aiming to maximize their profit when going international, but even if they have chosen the right entry strategy and thought about all vital things to make the internationalization as smooth as possible, there might and will be challenges and issues that occur during the process. In this part of the thesis the reader will get familiar with the general challenges that all companies can face, and in the end the specific challenges for family businesses will be discussed. (Morgan 1997)

2.5.1 Global Legal Challenges

There is no clear definition in an international law that all countries are willing to follow when doing business internationally. The domestic regulations differ from the international regulations, and the domestic ones can be easier to apply to. This means that companies going abroad must be willing to accept that other countries may not follow the same legal systems as they do and in that case, adapt themselves as well as possible. (Hollensen 2007)

There has been some standardizing of the way of understanding and using the laws in some countries, though, it is not about standardizing a whole legal system. This can be costly to companies, since they might have to ask for help from legal experts in every country they want to be active in. Standardization is promoted by different

international organizations, such as, United Nations and International Institute for the Unification of Private Law. In addition, the members of the European Union share some parts of their legal systems that are standardized. (Wild & Wild 2016)

The main issues that companies face in international business are intellectual property, product safety and liability, taxation and antitrust regulations. (Wild & Wild 2016)

Intellectual property stands for the ownership and collection of ideas and concepts. These ideas can be protected in three different ways; patents used for product design, trademarks used to a name, or copyrights to a document. (Entrepreneur)

In most countries, certain standards have been set, which products must meet if the company wants to sell them. These are called product safety laws. Product liability stands for the responsibility a manufacturer has in case a defective product, which has been sold, has caused some injury to the consumer. (Wild & Wild 2016) (Farlex, n.d)

Product liability laws are hardest in developed countries and the weakest in developing countries. In nations with harder laws, the legal costs are much higher since the damage compensation can be larger. (Wild & Wild 2016)

The use of tax varies a lot in different nations. It can be used to pay salaries to people working for the government or to improve the military in various ways. Paying VAT (Value Added Tax) is compulsory in many countries, which must be taken into account when going abroad since the percentage may vary from country to country. In Finland the standard rate is 24% and in addition to that there are two reduced rates of 14% and 10%. An example of different VAT rates is the UK, where the rate is 0% for food and drinks, and for products exported abroad. (Vero n.d.; UK Government n.d)

The final key challenge that enterprises face on the international market is the anti-trust regulations. The aim of antitrust regulations or laws is to prevent unlawful business making, to promote competition and to inspire companies to produce goods of great quality. (Farlex; Antitrust law)

Companies should pay attention to the laws because they could get into trouble. A couple of years ago, General Electric and Honeywell proposed a merger, which received attention from the European Union who later blocked the merger. The reason why they blocked it, was because they were concerned that the prices for customers would increase. (Wild & Wild 2016)

To make international trade as easy as possible within the EU, common policies have been set on international trade and investments. These policies are followed by the EU Member States. (European Commission n.d)

2.5.2 Economic Challenges

Economy is a tool that is used to produce and secure peoples' well-being in a nation. A stable and solid economy is the foundation for sustainable development. An economy on a stable foundation can help companies adapt themselves to the world economy. (Suomen YK-Liitto n.d)

It is up to the company's resources whether or not they are capable to go international or not. SMEs might require much more support than big multi-nationals. Fortunately, there are a wide range of different financial solutions for companies to use in a case where there are not enough resources to be used. (Finnvera n.d.)

Globalization of companies has generated several new jobs and competences all around the world. It has also helped several countries get out of poverty. Internationalization has had a positive effect on the use of economic resources, which has led to an economical growth. (Suomen YK-Liitto n.d; Wall, Minocha & Rees 2015)

On the other hand, globalization has weakened countries' ability to control the growth of their economy. The recession and unemployment after the financial crisis in 2008 is still affecting people all around the world. The crisis showed us that the global economy needs common worldwide rules when it comes to internationalization. (Suomen YK-Liitto n.d; Wall, Minocha & Rees 2015)

When the internationalization has the best effect possible, it will bring investments, knowledge and jobs to developing countries. One of the major risks is irresponsible business activities, which will in the worst case destroy the environment, weaken the employees' rights, evade taxes and feed corruption. (Suomen YK-Liitto n.d)

The internationalization process can be very costly for companies. Everything costs, so all possible costs needs to be calculated. Another challenge that needs to be considered before placing orders or accepting them. Payment methods and different currency rates. The payment methods vary a lot from country to country, and it is important to keep in mind that it is a safe option for the company to pay. The currency exchange rate should also be considered. When buying or selling the company's products it is important to consider the changing rates. (Finnvera n.d.)

2.5.3 Cultural Challenges

What are cultural challenges and what does culture mean? To keep groups of people together, we need cultural patterns. Culture represents different communities, individuals and social organizations. Mooij (2014) writes that according to Clifford Geertz, culture is a set of control mechanisms that humans are dependent to use to restrain their behavior. This is related to the way Hofstede defines culture: "The collective mental programming of the people in an environment. Culture is not a characteristic of individuals; it encompasses a number of people who were combined by the same education and life experience". People from the same culture share their beliefs, attitudes, values and norms. Elements that help express culture are e.g. language and place. (Wild and Wild 2016; Mooij 2004)

Since culture can be expressed in different ways, it can also cause some difficulties when dealing with people from other cultural backgrounds than your own. But how can peoples' different attitudes and values affect activities in the global context? (Mooij 2004)

For people from Finland time management and being on time is a crucial aspect, but for people from e.g. Latin America, it is okay to have a flexible schedule and to

be late for business meetings. So, the perception of time can cause some misunderstandings in the global context. (Mooij 2004)

The view on work is also different around the world. People in France work to live and people in the United States live to work. In case a company runs out of money, in the United States it is viewed as a valuable experience, while in Europe it is seen as a failure. (Wild and Wild 2016; Mooij 2004)

Technology is getting more and more advanced with every day that passes by and it affects the businesses. Material culture represents the technology that is used to manufacture goods and provide services in different cultures. Companies are mostly looking for a new market when the demand of a product has increased, though, most countries in the world do not have the material culture needed. However, new technology is helping poor countries keep their people away from poverty. (Mooij 2004)

In conclusion, companies going abroad need to take into consideration different cultural patterns to make the internationalization as smooth as possible and to avoid a clash of cultures. International market development will become easier when one can understand the influence of culture. (Wild and Wild 2016; Mooij 2004)

2.5.4 Challenges for family businesses

Blood is thicker than water; family is more important than business. Just as any other businesses, family businesses also face several challenges in their everyday business life. Overall, the challenges that family businesses face are pretty much the same as any other company. Though, family enterprises have some additional challenges that they might face. (Koiranen 1998)

One of these challenges is to keep the relationships good between all the family members working in the business. One of the major reasons why a family business is put down is arguments between the family members. In addition, favoring a family member is very common. (Koiranen 1998)

Envy, hate and greed are also part of the major challenges that families can face. Envy usually arises when responsibilities or work tasks are discussed. It is important to remember that both the business and the family will suffer from jealousy. (Koiranen 1998)

Hate is something that definitely should not be a part of a family enterprise. The reason to hate can be whatever, but mostly it is a result of grudge that has grown to hate or several disliked situations that are summed together. (Koiranen 1998)

A family entrepreneur being greedy will be costly for both the company and family. Generally, entrepreneurs become greedy when the company is running well. This might mean they begin to bargain on the quality of the products, or spending money on unnecessary equipment. (Koiranen 1998; Rintamäki 2010)

The European Commission have listed the main challenges that family businesses face. According to the European Commission, the policy makers are not aware of how a big role family businesses play when it come to the economic and social contributions they provide the society. In addition, family enterprises struggle with, for instance, taxation, finding and keeping experienced personnel, getting the right education for being an entrepreneur, and having the right balance e.g. between the family, ownership and business aspects. (European Commission, n.d.)

3 EMPIRICAL RESEARCH

The empirical research is based on the theory presented in the theoretical background section of this thesis. The aim with the empirical research is to find out what challenges Finnish case companies have when internationalizing. The empirical research was conducted by using qualitative research methods.

3.1 Qualitative Research Method

Qualitative research method is used to get an in-depth understanding of the problems and the respondents. The data, for a qualitative research, is known to be collected from a well selected group of respondents. Moreover, if the results can be compared in a study, then it is mostly a quantitative research that has been conducted. If the results cannot be compared with each other, then it is a qualitative research. (Hirsjärvi, Remes & Sajavaara 2007; Trost 2005)

A qualitative study contains phrases and words, as opposed to a quantitative study, which is based on numerical data. In general, this type of research is not to seek for generalization, instead the goal is to find interesting interpretation and understating of the phenomenon. A qualitative research is more free than a quantitative research, because a qualitative study does not have an exact reference methodology. (Kananen 2008)

In a qualitative research, people's stories and experiences are very expressive and informative when it comes to understanding a phenomenon as a whole. The researcher's observations during the research are almost as important as the collected data. Although the material consists of individual interviews, the arguments cannot be gathered based on the differences in terms of different variables. All material considered as resources should be clarified in a way that does not contradict the structure entity. (Hirsjärvi, Remes & Sajavaara 2007; Alasuutari 2011)

In addition, a major difference between qualitative and quantitative research methods is that the quantitative methods usually consist of questions with the same answer options for all the respondents. In a qualitative research the questions are more open and it is possible to ask questions that are not planned. (Svensson & Starrin 1996)

Figure 4 gives some examples of different qualitative and quantitative research methods. A qualitative study can be conducted by e.g. observing a group of people, having focus groups or having individual in-depth interviews. A quantitative study can be conducted by e.g. surveys either online or in paper, doing some sort of experiments or having a mechanical observation.

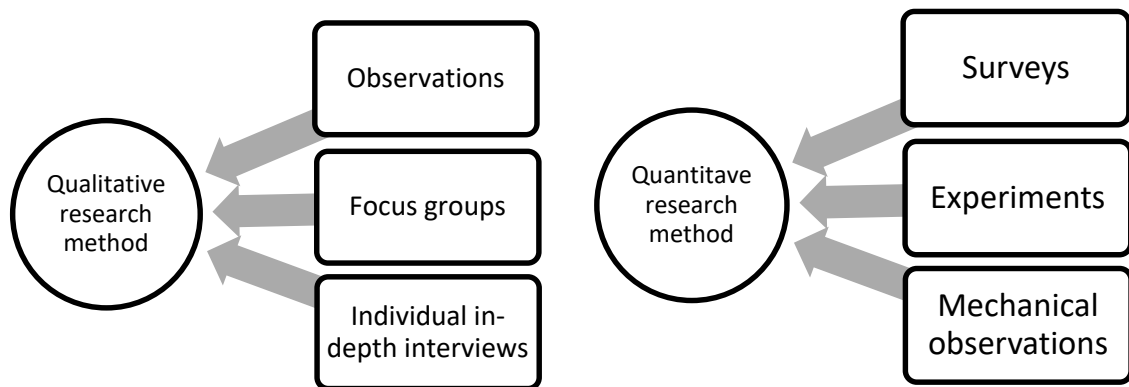


Figure 4 Examples of qualitative and quantitative research methods

The first interview for this study was conducted face-to-face with the export director for Company A. This interview was held in Espoo on Monday the 3rd of October 2016. This interview lasted for approximately 2 hours. This interview was conducted in Finnish.

The rest of the interviews were conducted through a phone call. The interview with the Export Director for Company B was held on Wednesday the 5th of October. The interview lasted for 20 minutes. This interview was conducted in Finnish.

The third interview was also conducted through a phone call with the Marketing and Innovation Director for Company C on Thursday the 13th of October. The interview lasted for 15 minutes and was also conducted in Finnish.

On Monday the 17th of October, the Marketing Director for Company D was interviewed through a phone call. The interview was held in Swedish and it lasted for approximately 15 minutes.

Questions that dealt with the topics written in the theoretical part of this thesis were prepared before the interviews. All of the questions were not asked in any of the interviews, since the topics were discussed in one way or another. In the end, the questions turned out to be used more or less as guidelines throughout the interview. The questions can be found in the Appendix.

All the interviews were recorded with permission of the interviewees. The recording was conducted by using a voice recorder downloaded to a computer, and a call recorder app on a smartphone. The interviews were not transcribed, however, the main points from the interviews were written down during the interviews and afterwards the recordings were listened and the more information was written down.

The interviews were recorded to make it easier to analyze the results later on. In addition, by recording the interviews it is easier to focus on the actual interview instead of focusing on writing everything down. After the interview, the responses were reviewed and main themes were found.

3.2 Case Companies

The intention was to find case companies from different industries, and in that way, get a more general view of the challenges faced with internationalization. The aim was to interview representatives from approximately 6 companies, but because of

problems getting in contact with other companies, the final number of case companies participating in this study was 4.

The companies chosen for the research are Finnish family businesses of different sizes with activities in various countries. The names of the case companies will not be published in this thesis, instead they will be called Company A, Company B and so on.

Company A produce chemical products and has its activities in Scandinavia, The Baltic, and Western and Eastern Europe. Company A exported their product to the foreign market during year 2003.

Company B has its activities in the Nordic countries, Russia and the Baltic. The company focused on manufacturing handicraft supplier to their customer. In addition to this, the company provides a magazine as an inspiration source. Since the headquarter for Company B is located in the Southern of Finland it was an easy decision to start their international activities in Estonia, due to short transportation distance.

Company C produces outdoor equipment's and they export the products to approximately 40 countries all over the world. Company C started their international activities during the 1970.

Company D manufactures customized sliding doors and storage systems. The company export their products to Sweden and Estonia. As for company B, it was an easy decision to first internationalize to Sweden, because of the easy transportation options. The company first expanded their activities to the foreign market during year 2012.

3.3 Findings

As mentioned earlier in this section of the thesis, the interviews were conducted face-to-face or by phone. The main point from the interviews will be described next

in the text. All of the interviews started with a short introduction of the companies and continued with questions and short discussions of the different topics.

Seven main themes can be used to describe the findings from the study. These themes are Internationalization, Entry Mode, Importance of Planning, Cultural Challenges, Pricing, Legal Challenges and Future Goals.

3.3.1 Internationalization

The meaning of working in a family business was discussed with all of the representatives participating in this study. It seems like the family is an important resource and the family is present in the everyday business life. Some of the enterprises are already run by the second or older generation, e.g. Company C is run by the 4th generation.

It turned out that all of the case companies expanded their activities to the international market because of the need or will to grow the company and expand the operations to a larger market. According to the case companies, growth is also seen as the major reason for businesses expanding to the foreign market. The representative for Company A reasoned the internationalization as the competition is getting tougher and tougher, and everyone has to keep up with the globalization. Company C stated that they have aimed for the international market ever since day one.

3.3.2 Entry Mode

All of the companies use the same mode of entry: exporting, which is seen as the most common way to internationalize. The interviewer asked whether or not the companies are going to expand their activities in the near future and it seems like none of them have any bigger plans to find new markets. However, in case they would do it in the future, the same entry mode would be used as the representative for Company A commented. Company D said that due to lack of resources, they are not looking for new market right now.

Company A and C explained that the competition in their markets are tough and the companies have to constantly think about how to be better than the competitors. Copying of the products in Company C's industry is an issue that has to be thought about in the everyday business life.

3.3.3 Importance of Planning

One important thing that was brought up in different ways during the interviews was the importance of planning. A company cannot expect to be successful in a market in case they do not do their "homework" before entering a specific market. Market research is a vital thing that should be conducted before making the decision to enter a new market. A good balance has to be achieved in order to make progress in a foreign country. Moreover, a company has to be ready put much time and patience in the internationalization process.

Company A recognized that the internationalization has to start by choosing a market where to expand. The right person/persons has to be found to do the work both in the domestic and foreign market. The distributor in the new country should know the local behaviors and language. Moreover, it is not enough to only choose a market where to expand, but also which product/products will be exported. It requires a lot of resources to take a product to a new market and you will never know whether or not it will be successful. This means that the best ones should be chosen and invested in.

3.3.4 Cultural Challenges

Language seems to be a central issue among the companies. As the representative for Company A explained that Swedish that is spoken in Sweden can be used in Finland, but the Swedish spoken in Finland cannot be used in Sweden. Another language barrier for Company A is found in Germany. Germans prefer to be served in their own language, while in other countries English will be fine. The representative explained that it can be time consuming and require a lot of resources to find a good translator who can make sure that everything is translated correctly on

all the product and safety labels, and cartons/containers. In addition, the representative for Company A mentioned that a product can be bought in a foreign language, but it has to be sold in one's own language. A person with English skills will manage to work abroad though. Company B also provides different types instructions and inspirations for their customers, and it has turned out to be challenging to translate them, and also the magazine that can be subscribed. Company C does not have any challenges with the language. Lastly, Company D does not either have problems with the language, since the company has their activities in two markets where both of our national languages can be used and where English can easily be used as the daily business language.

In addition to language barriers, Company A mentioned other cultural problems. One of these is the time difference that can cause some issues when doing business with countries far away, such as the US or China. Another is the way of doing business; in one culture the meetings start with a cup of tea and discussion about one's family, and in another culture you go straight to business. This means again that one has to do the "homework" before going on a business meeting to a country with an unfamiliar culture. Moreover, German companies might require more than companies from other countries; they might require you to hire a German bookkeeper, open a VAT account, register all the products, and to meet the regulations set by the government.

The research indicated that companies need to consider the fact that the desire of different types of products, such as material and style, differs very much among consumers in different countries and with different cultural backgrounds. The products must be developed so that they match the styles and trends in the exporting countries. Company D only manufactures customized products, which means they produce according to the customers wants and needs. The interviewee explained that the styles differ a lot in e.g. Sweden. Company B has observed that the material of the product plays an important role. In one country the consumers want a mixture of different material, while in other countries the consumers only want e.g. 100% wool.

Company B explained that they have not faced any major clash of cultures, because when the company started their international activities they had local people working for them in the target markets.

3.3.5 Pricing

Both company A and B mentioned the challenges with pricing in different markets. Company A has notice that in Denmark for example the prices are sensitive, which means it can be hard to enter the market due to high prices. This again, can be solved by planning and doing a proper market research about the prices. Company B explained that the pricing across the borders in the online store has also turned out to be challenging.

3.3.6 Legal Challenges

One of the questions prepared for the interviews stated: “According to Wild and Wild, intellectual property, product safety and liability, taxation and antitrust regulations are the main issues that companies face in international business. Do you think this is correct? Please comment”. This question was modified in the first interview and was asked the same way in all of the interviews. Instead, they were asked whether or not they have issues with intellectual property, product safety and liability, and so on. Surprisingly, none of the case companies have any major issues regarding these topics. As Wild and Wild stated, these are the main issues that companies face in international business, and also according to the European Commission, taxation is one of the main challenges that especially family businesses face when doing business on an international market. However, the study shows that there are not any challenges with these. Company B explained that most of their products are origin from EU, so they already meet all the required standards. In addition, the interviewee mentioned that they mostly sell to EU countries, so no major legal differences have to be tackled. Company C described that safety is one of the most important aspects that the company has to think about and they have even tried to make their products much better than the product safety regulations requires in every country they are active in.

3.3.7 Future goals

The representatives were also asked where they see the company in 5 or 10 years, and if they have any plans on expanding their activities in the near future. Company C mentioned that they want to be the customers first choice by 2020. Company B mentioned that they are at the moment focusing on the Nordic Countries and Germany. However, they are occasionally selling all over the world. The companies think it is important to stick together and work towards a goal that is known to all at the enterprise.

3.4 Summary of Findings

The study indicated that there are a wide range of different types of challenges that can arise when a company is internationalizing or when doing business in a foreign country. All the challenges discovered in during the study will be presented in Table 4 below and summarized in the last section of this thesis.

Table 4. Challenges faced by the case companies

Language	Challenges with translations of labels, boxes, containers, magazines, online stores
Business culture	The way of doing business. E.g. meetings
Price	The sensitivity of the price differs depending on the market
Different desires	Each country has their own style and the customers have different wants and needs
Competition	The competition can be very tough in some markets
Copying	It is hard to keep products the only one on the market
Time difference	Doing business with e.g. The US, China or Australia can be hard due to time difference
German companies	German companies might require more than companies from other countries

The case companies interviewed for this study have all started their international activities due to their own will or need to go international. As stated earlier, the reasons why they have started is the tough competition. In today's business world no company will be safe forever in the domestic market. This does not mean that all companies should go international, instead it means that all enterprises should have a B-plan on how to protect themselves against the global competitors (Root 1987)

The challenges found in this study reflects the challenges found in the theoretical background section to some extent. A larger number of case companies would lead to a higher reflection of the theory. However, the challenges found in this research are as common as the ones presented in the theoretical background.

The number of interviews for this study was rather low and limited. Nevertheless, four main challenges have been chosen to summarize the findings. These main challenges have been chosen because they were brought up the most during the interviews.

This summary part will also answer the first research questions: What are the main challenges that Finnish family businesses face when doing business abroad?

Firstly, it is clear that language can cause difficulties in the internationalization process. Companies need to make sure that employees have the right language knowledge and that translations are done correctly. It is understandable that no major language issues occur when doing business in Sweden or Estonia, since the languages are so similar. Though, when going further away, language has to be taken into consideration.

Secondly, pricing must be considered. Each market needs its own pricing strategy. Consumers always create their image of the firms and their products, and pricing is one component that helps them to create it. The price of a product will have either a good or a bad effect on the decision whether a consumer wants to purchase it or not. The purchasing decision is largely effected by the price of the product. The

study showed that cross-border pricing is challenging and Denmark's sensitive prices.

Thirdly, a consumer's wants and needs vary a lot in different markets and without doing a proper research on what these wants and needs are, a company cannot know what will sell on each market. An example of this is the different interior styles. The way Finns style their homes might not appeal to some other cultures.

Fourthly, competition turned out to be a challenge for some of the case companies. The competition varies a lot in different markets, but it is something that everyone has to consider. Though, the good side with competition is that it will push the companies to manufacture better and better products for their consumers. As mentioned earlier in this report, family businesses are highly competitive, so they have a great chance to success on an international market. (Perheyritystyöryhmä 2005)

So summarize, the main challenges that Finnish family businesses face when doing business on an international market are language, price, customer's desire and competition.

3.5 Reliability and Validity of the Research

The aim for a research is to be as reliable and valid as possible, and it is important to keep these in mind when conducting a study to reach the highest level of credibility as possible.

The credibility of the research is dependent of the quality of the research. There are several factors that can affect this. To be able to call the research credible, the quality of the recordings should be good, all the interviews should be done carefully and they should be done following the same rules and steps in every interview. In addition to these factors, reliability and validity constructs the credibility of the research. (Metsämuuronen 2006)

Reliability stands for the ability to be depended on. It refers to the repeatability of the measurement. Validity refers to the compatibility of the research method and topic. The concept of validity stands for the true state of affairs, which means the study of how suitable the method is for the research that has been done. (Heikkinen, Rovio & Syrjälä 2006)

When planning the questions for the interview they were planned so that they would be easy to understand. During the interviews, no misunderstandings appeared. The apps used of the recordings were good and they kept the quality really good. The only negative aspect for the recording was the low volume. Fortunately, the volume can be increased. The interviews followed the same steps as far as it was possible. Some of the questions got answered without asking them, so these were of course skipped.

The sample size was rather small, since only four companies had the opportunity to take part in this study. This means the findings cannot be generalized. A study with a larger sample size would increase the validity of the research.

The reason why no more companies took part was due to lack of time. It turned out to be much more time consuming than expected to arrange the interviews.

Lastly, one interview was conducted face-to-face and this method was the most informative way of interviewing. Unfortunately, due to lack of time and resources, there was no chance to do face-to-face interviews with all of the case companies. This limitation might have had some effect on the data collected for the research.

4 DISCUSSION AND CONCLUSION

Because only four case companies had the opportunity to participate in this study, no major generalizations can be made according to the main challenges that Finnish family businesses face when doing business on an international market. Nevertheless, the case companies participating in this study provided valuable information to the questions asked in the interviews. The main challenges stated by the case companies describe the actual challenges found on a theoretical level very well.

4.1 Suggestions for Companies

Finnish family businesses are the backbone of the national economy and it is important that we continue and expand our exporting activities to old and new markets all around the world. By doing this, we will leave a Finnish mark on the countries and at the same time enable expansion of our important family enterprises.

The aim with this thesis was to find the main challenges that Finnish family businesses face when doing business on an international market. Now when the main challenges have been found and summarized, what can then enterprises learn from this study and what should they consider when internationalize? This section will also answer the second research question: What can companies learn from this study?

One of the most important steps in the internationalization process is planning and doing research before making the decision to export any products to the foreign market. This can be done by doing a proper market research to find out which market would be suitable for the product/products, how to find a good partner? and so on.

By doing a market research, enterprises have a greater chance to avoid some of the challenges found in this study. First of all, the issues with language can be tackled by finding a good partner in the foreign country, and in that way avoid a clash of cultures. A partner from the unfamiliar culture will not only help with the language

issues. He or she will also help to understand the different business culture, find necessary information about e.g. taxation and product safety requirements, and find customers by using their contacts. Secondly, by researching the prices in the possible market, the enterprises make it easier to build a good pricing strategy. A good partner can also help to find the right price for the products. Thirdly, the desire of different products varies a lot in different markets. A market research will help the companies to find out what type of products would fit in the new market and what could be sold there.

There is one thing from the theoretical background that family enterprises should think about, and which could be pointed out. As the European Commission stated, it is important to find and keep a good balance between the family, ownership and business aspects. It turned out during the study that the families running the case companies are involved in the everyday business life, which is very important.

In summary, companies should thoughtfully plan the internationalization process and carefully consider what, where, when and how to export their products to the foreign market. Lastly, even if this study was quite small, the challenges found are very important and real issues that should be taken into consideration.

4.2 Suggestions for Future Research

This study could be continued and developed in the future. The topic is large and there are tremendous possibilities for future research. The study conducted in this thesis was short and included only a few participants.

First of all, a similar study could be carried out, but with more case companies. This would require more time and resources. This topic is very interesting and important to study and it would be valuable to do a similar research at some point in the future.

This research focused on Finnish family businesses of all sizes and in every field. In the future, a study could be carried out focusing on companies in a specific market. The study could also be divided into different company sizes.

In addition, if there are enough time and resources, a similar study to this one could be carried out with international case companies. In that case, the researcher could find out whether the challenges are the same for companies in other countries.

REFERENCES

Aho, S. & Koski, P. 1995. Yrittäjyyden rakennemuutos ja kasvualat. Työministeriö. Helsinki. Työpoliittinen tutkimus 106.

Alasuutari, P. 2011. Laadullinen tutkimus 2.0. Tampere. Vastapaino.

Albaum, G., Strandskov, J. Duerr, E. & Dowd, L. 1994. International Marketing and Export Management. Cambridge. Addison-Wesley. Pp.254

Buckley, P.,J & Ghauri, P. 1993. The internationalization of the firm; A reader. First Edition. London. Academic Press. Pp.136-169.

Cherunilam, F. 2010. International Marketin. India. Himalaya Publishing.Pp.150-165

Entrepreneur n.d. Intellectual Property. Accessed on 20.08.2016. <http://www.entrepreneur.com/encyclopedia/intellectual-property>

European Commission n.d. Accessed on 03.07.2016. ec.europa.eu

European family businesses n.d. Accessed on 10.12.2016. <http://www.europeanfamilybusiness.eu>

Farlex, T. F. n.d. Antitrust law. Accessed on 10.09.2016. <http://legal-dictionary.thefreedictionary.com/antitrust+law>

Farlex, T. F. n.d. Product Liability. Accessed on 10.09.2016. <http://legal-dictionary.thefreedictionary.com/product+liability>

Fillis, I. 2002. Barriers to Internationalization. European Journal of Marketing.

Foley, F. 1999. The Global Entrepreneur. Second Edition. Chicago. Dearborn Financial Publishing. Pp. 344

Finnvera n.d. Accessed on 10.12.2016. <http://www.finnvera.fi>

- Gardó, T., Garcia H. & Descals, A. 2015. Internationalization of SMR retailer: barriers and the role of public support organizations. *International Journal of Retail and Distribution Management*.
- Heikkinen, H., Rovio, E. & Syrjälä, L. 2006. Toiminnasta tietoon. Toimintatutkimuksen menetelmät ja lähestymistavat. Helsinki. Dark Oy.
- Hirsjärvi, S., Remes, P. & Sajavaara, P. 2007. Tutki ja kirjoita. Helsinki. Tammi
- Hisrich, R. D. 2010. *International Entrepreneurship; Starting, Developing and Managing a Global Venture*. Thousand Oaks. SAGE Publications Inc. Pp.146-153, 375-383
- Hollensen, S. 2007. *Global Marketing. Fourth Edition*. Edinburgh. Pearson Education Limited.
- Hyrsky, K. 2003. *Yrittäjäyyskatsaus 2003*. Kauppa- ja teollisuusministeriö.
- IESE Business School. 2015. How SMEs Can Internationalize. Accessed on 20.08.2016. <http://www.forbes.com/sites.iese/2015/04/20/how-smes-can-internationalize/#7f86d4642de>
- Kananen, J. 2008. *Kvalitatiivisen tutkimuksen teoria ja käytänteet*. Jyväskylä. Jyväskylän yliopistopaino.
- Koiranen, M. 1998. *Perheyrittäminen: Huomiota suku- ja perheyrittämisestä*. Tampere. Konetuumat Oy.
- Lam, L. & White, L. 1999. An adaptive choice of the internationalization process. *The international Journal of Organizational Analysis*. Volume 7. No. 2. Pp. 105-135.
- Metsämuuronen, J. 2006. *Laadullisen tutkimuksen käsikirja*. Jyväskylä. Gummerus kirjapaino Oy.
- Mooij, M. D. 2004. *Consumer Behavior and Culture*. Thousand Oaks. Sage Publication. Pp. 26-33

Morgan, R. 1997. Export stimuli and export barriers: Evidence from empirical research studies. *European Business Review*. Pp 68-79

Opetushallitus. 2016. Internationalizing

Perheyritystyöryhmä. 2005. Perheyrittäjäyys; Perheyritykset jatkuvuuden, uusiutumisen ja kasvuhakuisuuden moottorina. Accessed on 03.07.2016. [http://ktm.elinar.fi/ktm_jut/ktmjur.nsf/All/C75B061401048948V225701F0049C1F7/\\$file/jul16elo_2005_netti.pdf](http://ktm.elinar.fi/ktm_jut/ktmjur.nsf/All/C75B061401048948V225701F0049C1F7/$file/jul16elo_2005_netti.pdf)

PwC. 2012. Perheyritysraportti. Accessed on 10.09.2016. http://pwc.fi/julkaisut/perheyritystutkimus/tiedostot/perheyritysraportti_2012_suomi.pdf

Rintamäki, H. 2010. Perheyritysten nuorten aikuisten käsityksiä perheyrittäjyydestä ja yrittäjyydestä. Accessed on 10.09.2016. https://www.theseus.fi/bitstream/handle/10024/22246/Rintamaki_Henna.pdf?sequence=3

Root, F. R. 1987. *Entry Strategies for International Markets*. Massachusetts. D.C. Heat and Company. Pp.1-15

Snapsurveys n.d. Accessed on 19.11.2016. <http://www.snapsurveys.com/blog/what-is-the-difference-between-qualitative-research-and-qualitative-research/>

Suomen YK-Liitto n.d. Accessed on 10.09.2016. Taloudellinen kestävä kehitys.

Svensson, P-G. & Starrin, B. 1996. *Kvalitativa studier I teori och praktik*. Lund. Studentlitteratur.

Tourunen, K. 2009. Perheyritykset kansantaloudessa. Työ- ja elinkeinoministerin julkaisu 53/2009. Accessed on 10.12.2016. http://www.perheyritys.fi/wp-content/uploads/2014/12/TEM_53_2009_tyo_ja_yrittajyys.pdf

Trost, J. 2005. *Kvalitativa intervjuer*. Lund. Studentlitteratur.

UK Government n.d. VAT Rates. Accessed on 10.12.2016. <http://www.gov.uk/vat-rates>

Vahvaselkä, I. 2009. Kansainvälinen liiketoiminta ja markkinointi. Helsinki. Edita Prima.

Verohallinto n.d. Value Added Tax. Accessed on 10.12.2016. http://vero.fi/en-US/Companies_and_organizations/VAT

Wall, S., Minocha, S. & Rees, B. 2015. International Business. Fourth edition. Edinburgh. Pearson Education Limited. Pp. 39-54, 69-72, 93,121-123.

Wild, J. & Wild, K. L. 2016. International Business: The Challenges of Globalization. Eight Edition. Edinburgh. Pearson Education Limited. Pp. 38-43, 88-91, 117-120.

APPENDICES

Appendix 1

1. Background information
 - a. Company Name
 - b. Year of Establishment
 - c. Number of Employees
 - d. Location (s)
 - e. Market
2. What does entrepreneurship and family business mean to you/the company?
3. How should one combine these to become successful?
4. Do you think **company x** fits in to the definition of a family business?
5. How do you see **company X** as a company? How would you describe the activities, interests and way of thinking?
6. Why do you think companies internationalize? What is the biggest reason?
7. Why did **company X** internationalize?
8. What was/is the goal with internationalization for **company X**?
9. What entry strategies and entry mode were used?
 - a. Why?
 - b. How were they chosen? Research?
 - c. Do you see this was the right decision?
 - d. Pros and Cons with your entry strategy?
 - e. Have you thought about other options?
10. How do you think the internationalization has affected the company?
11. What barriers did the company expect to face?
12. What barriers did the company actually face?
13. According to the company's experiences, what are the risks and challenges with internationalization?
14. According to Wild and Wild, intellectual property, product safety and liability, taxation and antitrust regulations are the main issues that companies

face in international business. Do you think this is correct? Please comment

15. Have you faced some problems when it comes to meeting certain product standards in different countries?
16. Any cultural challenges? Language issues? Cultural patterns e.g. time management?
17. How about challenges within the family? Does/Can it affect the company? In case yes, is it a major threat?
18. Can it be hard to have the right balance between the family, ownership and business aspects?
19. Do you think there is a difference to work for a family business or a management controlled business?
20. Do you still have some major challenges on the foreign market?
21. Are you planning on expanding the foreign activities in the near future?
22. If yes, how does the company choose where to expand?
23. Where do you see the company in 5 years? 10 years?
24. Any comments or other things you which to be added?